



# **AGENDA**

## **Audit and Risk Committee Meeting Tuesday, 28 January 2025**

**Date: Tuesday, 28 January 2025**

**Time: 9.30 am**

**Location: Microsoft Teams**

(A link to the live stream will be available on the Central Otago District Council's website.)

**Peter Kelly**  
**Chief Executive Officer**



Notice is hereby given that an Audit and Risk Committee will be held on Microsoft Teams and live streamed on Tuesday, 28 January 2025 at 9.30 am. The link to the live stream will be available on the Central Otago District Council’s website.

**Order Of Business**

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**Members** Mr B Robertson (Chair), Her Worship the Mayor T Alley, Cr S Browne, Cr S Feinerman, Cr T Paterson

**In Attendance** P Kelly (Chief Executive Officer), L Fleck (General Manager - People and Culture), J Muir (Group Manager - Three Waters), S Righarts (Group Manager - Business Support), D Rushbrook (Group Manager - Community Vision), D Scoones (Group Manager - Community Experience), L Webster (Acting Group Manager - Planning and Infrastructure), W McEnteer (Governance Manager)

**1 APOLOGIES**

**2 PUBLIC FORUM**

**3 CONFIRMATION OF MINUTES**

Audit and Risk Committee - 16 December 2024



**MINUTES OF CENTRAL OTAGO DISTRICT COUNCIL  
AUDIT AND RISK COMMITTEE  
HELD IN NGĀ HAU E WHĀ, WILLIAM FRASER BUILDING, 1 DUNORLING STREET,  
ALEXANDRA  
AND LIVE STREAMED VIA MICROSOFT TEAMS ON MONDAY, 16 DECEMBER 2024 AT 9.30  
AM**

**PRESENT:** Mr B Robertson (Chair), Cr T Alley, Cr T Paterson

**IN ATTENDANCE:** P Kelly (Chief Executive Officer), S Righarts (Group Manager - Business Support), L Fleck (General Manager - People and Culture), L Webster (Acting Group Manager - Planning and Infrastructure), A Lines (Risk and Procurement Manager), P Penno (Communications Manager), J Thomas (Water Services Sampling & Monitoring Team Leader), S Reynolds (Governance Support Officer)

**1 APOLOGIES**

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**COMMITTEE RESOLUTION**

**Moved:** Paterson  
**Seconded:** Alley

That apologies from Cr S Browne and Cr S Feinerman be received and accepted.

**CARRIED**

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**2 PUBLIC FORUM**

There was no public forum.

**3 CONFIRMATION OF MINUTES**

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**COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Alley

That the public minutes of the Audit and Risk Committee Meeting held on 3 October 2024 be confirmed as a true and correct record.

**CARRIED**

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**4 DECLARATIONS OF INTEREST**

Members were reminded of their obligations in respect of declaring any interests. There were no further declarations of interest.

## 5 REPORTS

### 24.4.2 POLICY AND STRATEGY REGISTER

To consider the updated Policy and Strategy Register and advise on calculating compliance for Water Services.

It was noted that there were some minor wording amendments needed and there were some water service policies and bylaws that were expired that should be updated.

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#### COMMITTEE RESOLUTION

**Moved:** Robertson

**Seconded:** Alley

That the Audit and Risk Committee

- A. Receives the report and accepts the level of significance.
- B. Directs staff to calculate compliance for Water Services by using 1 January 2025 as a baseline and assessing water compliance based on performance against the amended schedule.

**CARRIED**

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### 24.4.3 SIGNIFICANCE AND ENGAGEMENT POLICY REVIEW

To consider recommending Council approve the Significance and Engagement Policy for consultation as part of the 2025/26 Long-term Plan.

It was acknowledged that there had been ongoing discussions with Aukaha and they had indicated they may wish to make some further suggestions. If any significant changes were to be made they would be brought back to the Committee.

It was also noted that there had been ongoing discussions about how strategic assets were listed.

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#### COMMITTEE RESOLUTION

**Moved:** Paterson

**Seconded:** Alley

That the Audit and Risk Committee

- A. Receives the report and accepts the level of significance.
- B. Recommends to Council to approve the Significance and Engagement Policy for consultation as part of the 2025/26 Long-term Plan subject to suitable amendments.

**CARRIED**

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### 24.4.4 AUDIT NZ AND INTERNAL AUDIT UPDATE

To consider an update on the status of the external and internal audit programme and any outstanding actions for completed internal and external audits.

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Chantelle Gernetzky from Audit New Zealand was unable to attend the meeting. Her apology was received.

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#### COMMITTEE RESOLUTION

**Moved:** Robertson  
**Seconded:** Paterson

That the report be received.

**CARRIED**

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#### 24.4.5 2025-34 LONG-TERM PLAN PROGRAMME UPDATE

To update the Committee on the preparation of the 2025-34 Long-term Plan.

It was resolved that there would be additional Audit and Risk meeting in on 28 January 2025 to give the Committee an opportunity to preview the consultation document for the draft 2025-34 Long-term Plan prior to the January Council meeting.

The consultation process for a new water services delivery plan was outlined, covering possible directions.

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#### COMMITTEE RESOLUTION

**Moved:** Alley  
**Seconded:** Paterson

That the report be received.

**CARRIED**

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#### 24.4.6 TREASURY REPORT

To consider the quarterly treasury report.

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#### COMMITTEE RESOLUTION

**Moved:** Alley  
**Seconded:** Paterson

That the report be received.

**CARRIED**

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Note: Elaine Wilson and Sally Parker from Aon Insurance joined the meeting for item 24.4.7

#### 24.4.7 2024/2025 INSURANCE RENEWAL

To consider the 2024/2025 insurance renewal.

A presentation from Aon was given.

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**COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Alley

That the report be received.

**CARRIED**

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**24.4.8 REVISED PROCUREMENT POLICY**

To consider revisions made to the Procurement Policy and endorse the policy for approval by Council.

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**COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Alley

That the Audit and Risk Committee

- A. Receives the report and accepts the level of significance.
- B. Recommends to Council the approval of the revised Procurement Policy.

**CARRIED**

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Note: The meeting was adjourned at 11.09 am and resumed at 11.13 am.

**24.4.9 RISK MANAGEMENT POLICY AND RISK APPETITE STATEMENT**

To consider updates made to the Risk Management Policy as part of its soft review and to consider the newly created Risk Appetite Statement.

Report writers would receive training on policy implementation within their workflows and it was noted that there would be another review in 12 months' time rather than the suggested two yearly review.

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**COMMITTEE RESOLUTION**

**Moved:** Paterson  
**Seconded:** Alley

That the Audit and Risk Committee

- A. Receives the report and accepts the level of significance.
- B. Recommends to Council the approval of the revised Risk Management Policy.
- C. Recommends to Council the approval of the new Risk Appetite Statement.

**CARRIED**

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**24.4.10 IANZ ACCREDITATION**

To inform the Audit & Risk Committee regarding the special accreditation assessment by International Accreditation New Zealand (IANZ).

It was noted that an annual competency assessment would help mitigate any future issues, and that this was being considered as part of the continual improvement processes. It was stated that there were some staff resourcing issues in these functions.

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**COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Paterson

That the report be received.

**CARRIED**

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**24.4.11 ANIMAL CONTROL DATA**

To inform the committee regarding data anomalies between CODC dog registration data and the information held on the National Dog Database.

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**COMMITTEE RESOLUTION**

**Moved:** Alley  
**Seconded:** Paterson

That the report be received.

**CARRIED**

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**24.4.12 NOVEMBER WASTEWATER COMPLIANCE STATUS UPDATE**

To consider progress on achieving Otago Regional Council Consent (ORC) compliance for Central Otago District Council (CODC) wastewater activities.

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**COMMITTEE RESOLUTION**

**Moved:** Alley  
**Seconded:** Robertson

That the report be received.

**CARRIED**

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**24.4.13 HEALTH, SAFETY AND WELLBEING REPORT**

To provide the Audit & Risk Committee with an update on the health, safety and wellbeing performance of the organisation.

A more detailed account of the Health and Safety committee's work would be included in forthcoming reports.

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#### **COMMITTEE RESOLUTION**

**Moved:** Paterson  
**Seconded:** Alley

That the report be received.

**CARRIED**

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#### **24.4.14 CAPEX REPORTING ON MAJOR PROJECTS**

To consider an update on CAPEX projects around the district.

It was noted that improvements would be made around the timing of delivering these reports to the Committee.

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#### **COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Alley

That the report be received.

**CARRIED**

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#### **6 CHAIR'S REPORT**

##### **24.4.15 CHAIR'S REPORT**

To consider the Chair's report.

The chair noted the challenging workload for staff and elected members coming in to a Long-term Plan and Local Election year and stated the importance of attracting quality candidates to run for elected roles.

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#### **COMMITTEE RESOLUTION**

**Moved:** Robertson  
**Seconded:** Alley

That the report be received.

**CARRIED**

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**7 MEMBERS' REPORTS**

**24.4.16 MEMBERS' REPORTS**

To consider the members' reports.

Members acknowledged the difficulty in conveying the various options and challenges related to water service provision to the community.

**COMMITTEE RESOLUTION**

**Moved: Robertson**  
**Seconded: Alley**

That the reports be received.

**CARRIED**

**8 STATUS REPORTS**

**24.4.17 DECEMBER 2024 GOVERNANCE REPORT**

To report on items of general interest and the current status report updates.

**COMMITTEE RESOLUTION**

**Moved: Robertson**  
**Seconded: Paterson**

That the report be received.

**CARRIED**

**9 DATE OF THE NEXT MEETING**

The date of the next scheduled meeting is 14 February 2025.

**10 RESOLUTION TO EXCLUDE THE PUBLIC**

**COMMITTEE RESOLUTION**

**Moved: Robertson**  
**Seconded: Alley**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason

<p><b>24.4.18 - Bad Debts and Abandoned Land</b></p>	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment</p> <p>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</p>	<p>To protect a person's privacy</p> <p>Commercial sensitivity</p> <p>To protect people from harassment</p> <p>To prevent use of the information for improper gain or advantage</p>
<p><b>24.4.19 - Cybersecurity, Information and Records Management and Privacy Plans for 2022-2025 Implementation Update</b></p>	<p>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</p>	<p>To prevent use of the information for improper gain or advantage</p>
<p><b>24.4.20 - Risk Management Update</b></p>	<p>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</p>	<p>To prevent use of the information for improper gain or advantage</p>
<p><b>24.4.21 - Litigation Register</b></p>	<p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	<p>Legal professional privilege</p>

**CARRIED**

The public were excluded at 12.18 pm and the meeting closed at 12.50 pm.

## 4 DECLARATIONS OF INTEREST

### 25.1.1 DECLARATIONS OF INTEREST REGISTER

Doc ID: 2031469

Report Author:	Wayne McEnteer, Governance Manager
Reviewed and authorised by:	Saskia Righarts, Group Manager - Business Support

#### 1. Purpose

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

#### 2. Attachments

**Appendix 1 - Declarations of Interest** [↓](#)

**Appendix 2 - Declarations of Interest - Bruce Robertson** [↓](#)

Name	Member's Declared Interests	Spouse/Partner's Declared Interests	Council Appointments
Tamah Alley	Manuherikia Irrigation Co-operative (shareholder) Cliff Care Ltd (family connection) Aviation Cherries Ltd (Director) Tenaya New Zealand Ltd (Director and Shareholder) Southern Lakes Trails (Trustee) LGNZ Zone 6 Chair	Manuherikia Irrigation Co-operative Society Ltd (shareholder) Emergency Management Otago Group Controller (employee) Aviation Cherries Ltd (Director)	Alexandra Community House Trust Central Otago Wilding Conifer Control Group Destination Advisory Board
Sarah Browne	Anderson Browne Construction and Development (Director and Shareholder) Infinite Energy Ltd (Shareholder) Central Otago Sports Turf Trust (Trustee) Central Football and Multisport Turf Trust (Trustee) Sutherland Architecture Studio Ltd (Employee)	Anderson Browne Construction and Development (Director and Shareholder) Infinite Energy Ltd (Employee)	Cromwell Youth Trust Tarras Community Plan Group
Sally Feinerman	Feinerman's Ltd, 109 Scotland Street (Owner / Director) Roxburgh Pool Committee (Chair) Sally Feinerman Trust (Trustee) Feinerman Family Trust (Trustee) MPI Teviot Valley Community Hubs group	Breen Construction (Employee / Builder)	Ida MacDonald Charitable Trust Teviot Prospects Teviot Valley Walkways Committee



<p>Tracy Paterson</p>	<p>Matakanui Station (Director and shareholder)  Matakanui Development Co (Director and shareholder)  A and T Paterson Family Trust (Trustee)  A Paterson Family Trust (Trustee)  Central Otago Health Inc (Elected Member)  Bob Turnbull Trust (Trustee / Chair)  New Zealand Wool Classers Association (Chair)  Central Otago A&amp;P Association (Member)  Manuherikia Exemplar Governance Group (Member)  Central Otago Riding for the Disabled (Volunteer)</p>	<p>Matakanui Station (Director and shareholder)  Matakanui Development Co (Director and shareholder)  A Paterson Family Trust (Trustee)  A and T Paterson Family Trust (Trustee)  Federated Farmers (On the executive team)  Omakau Irrigation Co (Director)  Matakanui Combined Rugby Football Club (Committee)  )Manuherikia Catchment Group (Co-chair)  Omakau Domain Board  Omakau Hub Committee (Chair)  Manuherikia Valley Community Hub Trust (Trustee)  Southern Cross Sheep Ltd (Director)  Mt Stalker Ltd (Trustee)  Mt Stalker Pastoral Ltd  DKIL Ltd (Shareholder)</p>	<p>Omakau Recreation Reserve Committee  Ophir Welfare Association Committee  Central Otago Health Incorporated</p>
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## Interest declaration as at 01 December 2023

<i>Entity</i>	<i>Role</i>	<i>Comment</i>
RBruce Robertson Ltd	Shareholder & director	Governance and advisory services
<b>Local authorities</b>		All roles on Local Authorities relate to Audit and Risk Committees
Hamilton	Deputy Chair	
Thames Coromandel	Chair	
Waipa	Chair	
Waitomo	Chair	
Taupo	Chair	
Bay of Plenty	Deputy Chair	
Tauranga	Member	
Gisborne	Chair	
Napier	Chair	
South Wairarapa	Chair	
Wellington	Chair	
Timaru	Chair	
Central Otago	Chair	
Invercargill	Chair	
Southland	Chair	
<b>Central Government</b>		
Ministry of Primary Industries	Chair	Audit and Risk Committee
<b>CCO</b>		
Regional Software Holdings Ltd (RSHL)	Board member	Software and support services to the Regional Council sector

## 5 REPORTS

### 25.1.2 THE CONSULTATION DOCUMENT AND SUPPORTING MATERIAL FOR THE 2025-34 LONG-TERM PLAN

Doc ID: 2026664

Report Author:	Saskia Righarts, Group Manager - Business Support
Reviewed and authorised by:	Peter Kelly, Chief Executive Officer

#### 1. Purpose of Report

To consider recommending to Council that the 2025-34 draft Consultation Document for the Long-term Plan and supporting information to the Consultation Document be provided to Audit New Zealand.

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#### Recommendations

That the Audit and Risk Committee

- A. Receives the report and accepts the level of significance.
  - B. Recommends to Council that the draft Consultation Document be provided to Audit New Zealand for audit as required under the Local Government Act 2002.
  - C. Recommends to Council that the following supporting information to the Consultation Document be provided to Audit New Zealand to facilitate the audit:
    - (a) Infrastructure Strategy
    - (b) Financial Strategy
    - (c) Development and Financial Contributions Policy
    - (d) Fees and Charges
    - (e) Significance and Engagement Policy
    - (f) Revenue and Financing Policy
    - (g) Rates Remission and Postponement Policy
    - (h) Liability Management Policy
    - (i) Investment Policy
    - (j) Prospective Financial Statements and Prospective Funding Impact Statements
    - (k) Community Outcomes Development
    - (l) Significant Forecasting Assumptions and Risks
    - (m) Capital Expenditure for Activity Groups
- 

#### 2. Background

The Local Government Act 2002 (S 93 and 93A) requires Council to prepare and adopt a Long-term Plan every three years. At the February 2024 Council meeting it was agreed that

the 2024-34 Long-term Plan be deferred and Council prepare an enhanced 2024-25 Annual Plan (under the options provided by the Government in the legislative changes surrounding the repeal of the three waters legislation).

This decision results in this being a nine-year plan (2025-34). Council will prepare the next long-term plan in two years' time (2027-37 Long-term Plan) to get back into cycle with the requirements of the Local Government Act 2002.

The long-term plan process requires that Council prepare a Consultation Document and supporting information that has been audited by Audit New Zealand. Both the Consultation Document and the supporting information will be made available to the public.

Under Council's Registrar of delegations the Audit and Risk Committee has responsibility for the oversight of the preparation of the 2025-34 Long-term Plan. At the Committee's meeting on 16 December 2024, it was agreed to schedule an additional meeting in to review the 2025-34 Long-term Plan material ahead of the audit commencing 3 February 2025.

### 3. Discussion

Council is required to adopt a Consultation Document for the 2025-34 Long-term Plan that has been audited by Audit New Zealand. The Consultation Document outlines Council's consultation ideas for the future and provides instructions to the public on the submission process.

At the Council meeting on 18 December 2024, Council agreed the following would be included as consultation items:

1. What's our plan for water?
2. Volumetric water charges
3. Community halls and facilities
4. Ida MacDonald Roxburgh Pool Punawai Ora
5. Alexandra Outdoor Pool
6. Manuherehia Valley Community Hub
7. Supercars Championships at Highlands Motorsport Park
8. Artificial Turf at Maniototo Area School
9. Artificial Turf at Dunstan High School

The Significance and Engagement Policy was reviewed by the Audit and Risk Committee. As a result of feedback, the following changes were updated: finalising the Strategic Asset section and grouping some of the individually listed items; removed phrase 'all aspects of decision making' in the Māori Participation Framework; amended typos; adjusted wording in the table on mana whenua engagement; changed 'Promise to the Public' to 'Commitment to the Public' in Schedule 1; and adjusted the arrow in the Significance Continuum on page 4 of the Policy. Staff felt these adjustments reflected the feedback of the Committee while adhering to the guidance of the Office of the Auditor General, that the Policy meets the expectations of the specific community with regard to significance.

In order to facilitate the audit process Council is required to provide supporting material to Audit New Zealand. This information comprises the Infrastructure Strategy, Financial Strategy, Prospective Financial Information, Funding Impact Statement (Rates), Revenue and Financing Policy, Rating Policy, Investment Policy, Liability Management Policy, Significance and Engagement Policy, Significant Forecasting Assumptions and Risks, Development and Financial Contributions Policy and the Schedule of Fees and Charges. Changes may be made to these documents as a result of the audit and the public

consultation process. These documents will also form the basis for the final 2025-34 Long-term Plan which is planned to be adopted by Council in June 2025.

Note at the time of generation of this agenda, staff are waiting for a decision on how to treat water services in the consultation document. The challenge is that Central Otago District Council is in conversations with other councils about a joint Council Controlled Organisation, of which consultation will occur after the audit of the consultation document. The material in the consultation document may well change during the audit in February.

As at the time of the preparation of the agenda, the following documents were still being worked on and will be sent out under separate cover:

- (a) Draft Consultation Document
- (b) Infrastructure Strategy
- (c) Development and Financial Contributions Policy

#### 4. Financial Considerations

Details regarding financial considerations can be found in Appendices 9 and 10.

#### 5. Options

##### Option 1 – (Recommended)

Recommend to Council to approve that the consultation document and supporting material is provided to Audit New Zealand to enable the audit to commence on 3 February 2025.

Advantages:

- Adheres to the scheduled programme for the development of 2025-34 Long-term Plan.
- Ensures compliance with the requirements of the Local Government Act 2002.
- Meets community expectations.

Disadvantages:

- None identified.

##### Option 2

Recommend to Council to approve that the consultation document and supporting material with amendments is provided to Audit New Zealand to enable the audit to commence on 3 February 2025.

Advantages:

- Adheres to the scheduled programme for the development of 2025-34 Long-term Plan.
- Ensures compliance with the requirements of the Local Government Act 2002.
- Meets community expectations.

Disadvantages:

- None identified.

Option 3

Recommends to Council to not approve that the consultation document and supporting material is provided to Audit New Zealand to enable the audit to commence on 3 February 2025.

Advantages:

- None identified.

Disadvantages:

- Does not adhere to the scheduled programme for the development of 2025-34 Long-term Plan.
- Does not comply with the requirements of the Local Government Act 2002 and will likely cause delays. There is a risk that the 2025-34 Long-term Plan would not be adopted by June 2025, impacting Council's ability to collect rates for the planned work programmes.
- Does not meet community expectations.

**6. Compliance**

<b>Local Government Act 2002 Purpose Provisions</b>	This decision enables democratic local decision making and action by, and on behalf of communities by ensuring the correct legal process is followed in the development of the 2025-34 Long-term Plan.
<b>Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.</b>	The consultation document and supporting material for the 2025-34 Long-term Plan is required under the Local Government Act 2002.
<b>Considerations as to sustainability, the environment and climate change impacts</b>	There are no direct considerations as to sustainability, the environment and climate change impacts.
<b>Risks Analysis</b>	There is no risk in approving these documents be provided to Audit New Zealand. A delay in approving these documents will likely delay the audit and impact on the plan to have the 2025-34 Long-term Plan presented for final approval on 25 June 2025.
<b>Significance, Consultation and Engagement (internal and external)</b>	Once audited, these documents will be provided as part of the material for the 2025-34 Long-term Plan consultation. Public consultation is scheduled from 19 March to 16 April 2025.

**7. Next Steps**

The Committee's feedback will be provided verbally at the Council meeting on 29 January 2025. Following Council agreement, the Consultation Document and supporting material will be provided to Audit New Zealand, with the audit scheduled to commence 3 February 2025. Amendments will be made as required and presented back to Council on 17 March 2025 for approval to adopt these documents for formal consultation.

**8. Attachments**

**Appendix 1 - Financial Strategy** [↓](#)

**Appendix 2 - Fees and Charges Schedule** [↓](#)

**Appendix 3 - Significance and Engagement Policy** [↓](#)

**Appendix 4 - Revenue and Financing Policy** [↓](#)

**Appendix 5 - Rates Remission and Postponement Policy** [↓](#)

**Appendix 6 - Liability Management Policy** [↓](#)

**Appendix 7 - Investment Policy** [↓](#)

**Appendix 8 - Community Outcomes** [↓](#)

**Appendix 9 - Significant Forecasting Assumptions and Risks** [↓](#)

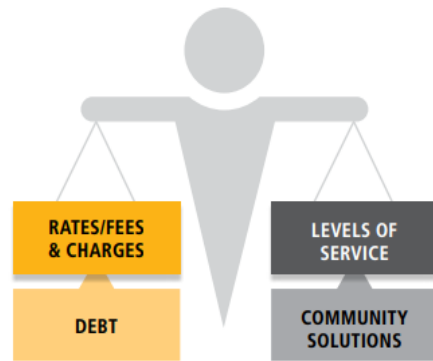
**Appendix 10 - Prospective Financial Statements and Prospective Funding Impact Statements** [↓](#)

**Appendix 11 - Capital Expenditure for Activity Groups** [↓](#)

# Financial Strategy 2025

## Investing in our future

One of the biggest challenges a council faces is balancing its community’s ability to pay with the need to maintain infrastructure and deliver services. Council aims to keep rates and charges affordable for current and future generations. At the same time, Council needs to focus on delivering core infrastructure services, building its community resilience, supporting economic development and promoting opportunities for growth that ensures the community is sustainable into the future. To ensure that Council will continue with a balanced approach, keeping the two guiding principles of affordability and sustainability at the forefront when developing the financial strategy.



Environmental and national standards are impacting Council's infrastructure projects and heavy investment is required to improve the quality of our services and to meet the higher standards. This is further challenged by the Government's proposed changes to the management of New Zealand's water, wastewater and Stormwater (Three Waters).. What does this mean for the delivery and funding of water under this Long-term Plan (LTP)? Council has taken the approach that it will transfer its three waters assets into a Council Controlled Organisation (CCO) and may see Councils across the region joining. If other Councils do not join, then the CCO will be operated by CODC alone. This has been reflected in year 2 and year 3 of the LTP with the water activities being transferred at the end of year 2 and no longer being reflected in the operations of Council from year 3 onwards.

Going into this Long-term Plan, Central Otago District Council continues its plan of funding its extensive capital programme through raising debt. It is anticipated that this level of debt will increase to \$141M by year 2 of the plan then reduce significantly as the three waters activities with associated debt transition into a new CCO

The desired outcome of this strategy is that Central Otago District Council's asset base and operational expenditure are managed in a cost-effective manner and continue to be funded in a manner that is sustainable for the Council and our communities.



## Funding Our Expenditure

### Assets Replacement

Investment in the current asset base will continue. The exception to this is the three waters activities. It is Council's preference to transfer these activities to a new CCO by 1 July 2027. Council has decided instead of funding three waters asset replacements via funded depreciation it will only partially fund those replacements via depreciation and fund up to 50% of asset replacement via borrowing for year 1 and 2 of the LTP. This will have the effect of lowering the rates required to be contributed by the ratepayer in the first two years of the LTP while maintaining the replacement programme at the current levels. In other cases Council rates for depreciation, which is held in reserve to be spent on replacement assets and the payment of borrowings required to fund these assets. All renewals are either fully funded or partially funded (in the case of councils 3 waters activities) by depreciation reserves. For renewal of assets where depreciation has not been fully funded, it is expected that the unfunded portion of the renewal will be funded by a third party or external debt.

For long-life assets, the renewal programme will fluctuate from year to year. If the reserve is underspent, the reserve will earn interest. At times these reserves may be overspent, in which case any interest cost will be rated for (except for development contribution reserves). Council may also choose to loan or rate-fund replacement assets if there are insufficient depreciation reserves. This financial strategy also recognises Central Government's Local Water Done Well policy initiative. This will mean that from year 3 of the Council's Long-term plan 3 Waters will no longer be provided by Council and this strategy should be read with that change in mind.

### Growth Assets

When replacing or putting in new assets, Council will consider whether to build the asset to cater for future growth. This may mean, for example, putting in a larger pipe than is needed for today's use to accommodate additional users in the future. Council will fund the additional capacity through developers' contribution reserves. As part of a subdivision process, developers will contribute to the future growth of infrastructure networks. This money is put in a reserve and used for the growth portion of capital projects.

### The Development Contribution Reserve

Typically, building additional capacity for growth in a network precedes the actual growth demand. The growth portion of the capital programme is funded through development

contribution reserves. In most instances, these reserves for growth typically run as deficits attracting interest that are in turn funded by developers' contributions.

## Asset Increased Levels of Service

The Long-term Plan will respond to increasing environmental and national standards.

While this plan concentrates on asset replacement and growth, there are a number of key projects that will increase the level of service provided by Council.

1. Completing water treatment upgrades to meet the New Zealand Drinking Water Standards remains a key focus. Within the first three years of this LTP Council expects all of Council-provided water supplies to be fully compliant with the New Zealand Drinking Water Standards. This plan includes installing protozoa barriers at Cromwell, Ranfurly and Patearoa, along with investigating more secure water sources at Omakau/Ophir, Ranfurly and Roxburgh.
2. Completing wastewater treatment upgrades to meet new environmental performance standards are required at Cromwell, Alexandra/Clyde, Omakau along with improvements at Naseby, Ranfurly and Roxburgh.
3. Projects to improve water treatment, operational performance, and distribution of water to Bannockburn and Pisa are included in the LTP. These projects include additional capacity to meet future population growth.

Increased level of service for significant capital works is to be primarily funded by loans. To ensure that today's ratepayers do not pay for the building and using of the asset, loan repayment will be rate-funded. Council will rate-fund the depreciation collected on the asset and use these funds to pay the loan principal. This means that the cost of this asset is shared amongst current and future users of the asset. These loans will typically be for no longer than 30 years and funded either internally or externally dependent on the availability of cash reserves. Taking a loan in this instance means that future users of the asset help to pay for it over the asset's lifespan and current ratepayers are not burdened with the full cost.

## Operational Costs

Funding of operational costs come from a number of sources such as rates, user fees, grants and subsidies. The plan has no significant changes in operational funded levels of service but is impacted by interest rates, population growth and inflation. Where possible and practicable, operational spending is funded through user fees or targeted rates.

## Growth and Land Use

### Growth in the district

The district has experienced strong growth, particularly around Cromwell and Alexandra. This was anticipated to start slowing in the first year of this LTP. However, analysis shows that growth is expected to average at 2.1% for the first five years and to slow to 1.8% for the final four years.























































































































































































































































































































































**6 DATE OF THE NEXT MEETING**

The date of the next scheduled meeting is 14 February 2025.